U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

FIELD HEARING
SCOTTSBURG, INDIANA
JULY 24, 2006

The Honorable Bob Goodlatte
U.S. House of Representatives
House Committee on Agriculture

Chairman Goodlatte and members of the Committee, thank you for the opportunity to participate in this field hearing concerning the Farm Bill. I also appreciate Congressman Pence extending the initial invitation to testify.

My name is Kaye Whitehead and I am a family farmer from Muncie, Indiana. On our family farm, Seldom Rest Farms, we produce corn, soybeans, wheat, hay, straw, hogs and cattle. We have a diversity of production within our farming operation and we participate in several of the current government programs offered by the 2002 Farm Bill. We utilize the manure from our livestock for our crops and maintain the nutrient/manure management records required by the Indiana Department of Environmental Management. In other words, we are a working family farm, owned by family, managed by family and worked by family and a few employees.

My comments on the Farm Bill reflect my viewpoint and are not from a commodity or farm organization policy book. I hope to offer glimpses of how the written programs and actually implemented in the field.

My impression is that our current farm policy was intended to steer agriculture toward more free trade and market driven pricing direction with some underlying support. However, certain programs within the 2002 Farm Bill may not have worked in real life as hoped and had unintended consequences. Commodity Credit Loans seem to work well, with little total obligation to the government as the loans are paid back. The loans are paid back with interest if current price of the commodity is above the support price; and interest is forgiven is prices are below the support price.

Direct payments have largely worked as a supplemental financing tool to help stabilize farming incomes. While it does indeed supplement gross farm income, land owners and farm managers have capitalized these payments into their cash rents and very little of the payments go to the farmer operators who rent land.

Loan Deficiency Payments and Counter Cyclical payments seem to be the most controversial dollars in the current farm bill. I understand some Congressional reluctance to continue them in future legislation, however both of these programs have been beneficial to the income of the actual producer. Both are directly coordinated to the original support prices of the 2002 Farm Bill and are not paid in addition to that support price, but rather, they work to complement it.

Both the LDP AND CCP were designed to help mitigate revenue shortfalls and they have been successful in that effort.

One aspect of the current Farm Bill that is not working is payment limitations. My husband and I have a family farm. However, many years ago we were advised to incorporate it to allow some family members to return to the farm and participate in the farming operation. Now because we are a farming corporation, we have a single payment limitation; no matter the number of acres that we farm. As you are aware there are farmers who devise complicated business arrangements to avoid federal payment limitations. Our family does not do that and we believe payment limitations are not working as Congress intended. Payment limits only work to limit those that attempt to abide by the intent of the law.

In an ideal world every commodity, agricultural or otherwise, would be strictly market driven and efficient low cost producers would thrive economically. In an ideal world prices would be solely based on true supply, demand and need. There would be no government intervention or interference. But the world is not ideal.

Personally, I would prefer no government program; no government intervention; no government mandates. However, being a realist I know this is not going to happen any time soon, so I must be a participant in order to compete not only with my neighbor, but in the world market as well.

Farming is inherently risky because it is subject to weather and biological cycles. It is risky because of currency fluctuations and uncontrollable input costs. It is risky because it is subject to foreign government quotas, embargoes and trade agreements (or lack thereof). It is risky because of foreign and domestic diseases and pests.

Should the government help soften that risk? I would argue yes, but how? What means of income protection can the U.S. government provide to ensure our agricultural production is competitive in the world trade arena? American agricultural production is a critical industry to U.S. citizens for food, fiber and fuel. It is a strategic national asset.

Some thoughts:

Energy and trade agreements will likely dominate the thinking of the next Farm Bill.

The next Farm Bill could use the existing farm programs structure but should make them more WTO consistent, reduce their negative effects on farm structure and better target them to producers.

Our next Farm Bill should seek to increase our energy independence through domestic production of bio-based fuels and chemical stocks. Each barrel of imported petroleum that can be replaced with U.S. ethanol or bio-diesel improves our balance of trade and national security. We should endorse the national goal of 25 X ‘25. We will need good research to fulfill that fabulous potential. I am one livestock producer that does not fear the impact of biofuels production on my livestock operation. There is an expression we use here in Indiana, “Cheap corn means cheap hogs.”

I would not advocate for a program for livestock producers beyond properly funding EQUIP in fulfilling the promise of environmental compliance cost assistance.

I have heard it suggested that we could reduce trade-distorting counter cyclical payments and marketing loan rates by compensation with increased direct payments. Regardless of the type of income support, we must guard against a dramatic drop in land values as farmers' and agricultural bank loan portfolios are dependent on current values. Rural economies could not be sustained if land values dropped precipitously.

We need to address payment limitations and the legal shell game that we have currently.

I believe that if marketing loan payments are significantly reduced, we could see a change in what commodities are grown. Acreage could shift from crops that are reliant on marketing loan benefits to crops that are not. One suggestion that would be helpful and compliant with the WTO is to allow producers the flexibility to grow other crops, such as fruits and vegetables, on program base acre.

You should not create a commodity price support program for fruits and vegetables.

My plea to the Committee is to be cautious in you changes. Be mindful that nearly all programs have unintended consequences. And be certain that the U.S. producers that I know are anxious to be competitive with other producers, but must compete on a fair playing field.

Thank you.